

August 27, 2002

**JOINT PETITION OF U.S. TELEPACIFIC CORP. d/b/a
TELEPACIFIC COMMUNICATIONS AND SIPCO
LIMITED FOR APPROVAL OF ACQUISITION BY SIPCO
LIMITED OF INDIRECT CONTROL OVER U.S.
TELEPACIFIC CORP.**

DOCKET NO.
02-00667

This matter came before Directors Deborah Taylor Tate, Pat Miller, and Ron Jones of the Tennessee Regulatory Authority (the "Authority"), the voting panel assigned to this docket, at the regularly scheduled Authority Conference held on July 23, 2002 for consideration of the *Petition for Approval of Acquisition of Indirect Control over Provider of Telecommunications Services* (the "*Petition*") filed by U.S. TelePacific Corp. d/b/a TelePacific Communications ("TelePacific") and SIPCO Limited ("SIPCO"). The *Petition* was considered pursuant to the provisions of Tenn. Code Ann. § 65-4-113, which requires Authority approval a transfer of authority to provide utility services..

Tenn. Code Ann. § 65-4-113 requires a public utility to obtain Authority approval to transfer its authority to provide utility services. Tenn. Code Ann. § 65-4-113(a) provides as follows:

- (a) No public utility, as defined in § 65-4-101, shall transfer all or any part of its authority to provide utility services, derived from its

certificate of public convenience and necessity issued by the authority, to any individual, partnership, corporation or other entity without first obtaining the approval of the authority.

Tenn. Code Ann. § 65-4-113(b) provides the standards by which the Authority shall consider an application for transfer of authority, in pertinent part, as follows:

(b) Upon petition for approval of the transfer of authority to provide utility services, the authority shall take into consideration all relevant factors, including, but not limited to, the suitability, the financial responsibility, and capability of the proposed transferee to perform efficiently the utility services to be transferred and the benefit to the consuming public to be gained from the transfer. . . .

The Petition

The *Petition* was filed on June 4, 2002. In the *Petition*, TelePacific and SIPCO request approval of an indirect transfer of control of TelePacific from a variety of existing shareholders, none of which own a majority voting share in TelePacific, to a new set of shareholders, including SIPCO, which will obtain a majority voting share. TelePacific was granted authority to provide competitive local exchange telephone service and other telecommunications service in Tennessee by Order dated December 14, 2000 in Docket No. 00-00697.

According to the *Petition*, TelePacific is a wholly-owned subsidiary of U.S. TelePacific Holdings, Inc. ("Holdings"), an equity management firm that is owned by a variety of stockholders, including TelePacific Holdings Limited ("THL"), TelePacific Equity Limited ("TEL"), and InvestCorp TPC Limited Partnership ("ITLP"). These three (3) stockholders are partially owned by Investcorp SA ("Investcorp"), which is partially owned by SIPCO. Investcorp is a global investment group that acts as a principal and intermediary in international investment transactions.

The *Petition* states that a recent \$40,000,000 equity financing has made THL, TEL, and ITLP collectively, and thus Investcorp and SIPCO, majority owners of the voting stock of

Holdings. Although SIPCO's ownership share in THL, TEL, and ITLP does not give SIPCO control over Holdings, a combination of InvestCorp's equity interest and management agreements with other investors in THL, TEL, and ITLP gives InvestCorp, and thus SIPCO, the ability to exercise *de facto* control over THL, TEL, ITLP, and thus indirectly over TelePacific.

Public Interest Considerations

According to the *Petition*, the change in control is not expected to result in any change in the operations of TelePacific. The change in control is to ensure that TelePacific has the resources it requires to carry out its operations properly and promote TelePacific's ability to continue to raise capital.

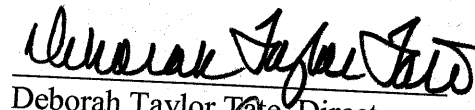
Findings

The Authority considered this matter at the July 23, 2002 Authority Conference. Based upon careful consideration of the *Petition*, the Authority finds and concludes as follows:

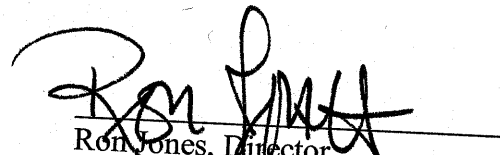
1. The Authority has jurisdiction over the subject matter of this *Petition* pursuant to Tenn. Code Ann. § 65-4-113;
2. U.S. TelePacific Corp. d/b/a TelePacific Communications has been granted authority to provide telecommunication services in Tennessee;
3. *De facto* control of U.S. TelePacific Corp. d/b/a TelePacific Communications will be obtained by SIPCO Limited, resulting in a transfer of the authority granted U.S. TelePacific Corp. d/b/a TelePacific Communications to provide utility services; and
4. Approval of the transfer of authority is appropriate pursuant to the provisions of Tenn. Code Ann. § 65-4-113.

IT IS THEREFORE ORDERED THAT:

1. The *Petition* of U.S. TelePacific Corp. d/b/a TelePacific Communications and SIPCO Limited ("SIPCO") for approval of the transfer of authority described herein is approved; and
2. Any party aggrieved by the Authority's decision in this matter may file a *Petition* for Reconsideration with the Authority within fifteen (15) days from and after the date of this Order.


Deborah Taylor Tate, Director


Pat Miller, Director


Ron Jones, Director